

WEST LANCASHIRE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2013

CONTENTS

	Page
Introduction	1
Explanatory Foreword	2
Annual Governance Statement	10
Independent Auditor's Report	16
Statement of Responsibilities	19
Movement in Reserves Statement	20
Comprehensive Income and Expenditure Statement	22
Balance Sheet	23
Cash Flow Statement	24
Notes	25
Housing Revenue Account and Notes	86
Collection Fund and Notes	93

INTRODUCTION

We are pleased to introduce West Lancashire Borough Council's audited Statement of Accounts.

The Statement shows the financial performance and financial position of the Council for 2012/2013. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money over the last year.

The Audit and Governance Committee approved the Statement of Accounts at its meeting of 24th September 2013 following the external audit of the accounts.

Edward Pope

Chairman of the Audit
And Governance Committee

Marc Taylor

Borough Treasurer

EXPLANATORY FOREWORD

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2013.

These accounts provide details of the money that the Council spent on delivering services and where this money came from. The accounts also show the Council's financial performance and financial position for the year.

Stewardship of public money and best value

The accounts have been prepared in accordance with the statutory and accounting regulations that govern the Council's financial affairs. These rules are primarily designed to safeguard public money and to promote best value.

The Council's accounts are subject to scrutiny by its elected Councillors and its Internal and External Auditors to verify that these regulations are being followed.

In addition members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Contents of the Accounts

The different parts of the Accounts and their purposes are set out below:

Annual Governance Statement

This outlines key elements of the Council's governance framework, provides a review of its effectiveness, and sets out plans for its future development.

Independent Auditor's Report

This report sets out the External Auditor's opinion on whether the Accounts present a true and fair view of the financial performance and position of the Authority, and whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Statement of Responsibilities

This summarises the responsibilities of the Council and its Chief Finance Officer in relation to the Statement of Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (which can be applied to fund expenditure or reduce taxation) and other reserves.

The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and rent setting purposes.

The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and HRA Balance before any discretionary transfers to and from earmarked reserves.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, which may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold. This category also includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustment between accounting basis and funding basis under regulations".

Cash Flow Statement

This shows the changes in cash and cash equivalents for the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

Housing Revenue Account (HRA)

This summarises all transactions relating to the provision and maintenance of Council houses and flats, and reflects a statutory obligation to account separately for local authority housing provision.

Collection Fund

This account shows the income raised from Council Tax and Business Rates and how these funds are distributed to local authorities and central government.

Financial summary

The Council spent £84.275m in providing day-to-day services for the local community. The Council also invested £10.241m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £1.831m over the course of the year to £19.179m.

The following paragraphs provide an overview of the Statement of Accounts by highlighting its key features and figures.

Service Provision

In broad terms the following tables show where the money for providing services comes from and what it was spent on.

What the money is spent on

	2012/2013	2011/2012
	£'000	£'000
Central Services	15,684	16,325
Cultural and Leisure Services	3,910	4,367
Environmental Services	8,840	8,944
Highways, Roads and Transport	1,067	1,061
Housing Revenue Account	14,630	20,159
HRA Self Financing Payment	0	88,212
HRA Impairment	3,520	9,828
Other Housing Services	32,851	31,473
Planning and Development	3,773	4,224
Total	84,275	184,593

Where the money comes from

	2012/2013	2011/2012
	£'000	£'000
Council tax	7,444	7,408
General government and NNDR grants	7,065	7,822
Housing rents	21,467	20,070
Service specific fees, charges and grants	53,026	50,570
Funding for HRA Self Financing	0	88,212
All other items (net)	-4,727	10,511
Total	84,275	184,593

In 2011-12 the Government introduced a new HRA Self Financing system. As a result of this change, the Council had to make a one off payment of £88.212m to the Government, but will no longer have to make annual subsidy payments in the future. This payment was funded by taking out a number of loans with the Public Works Loans Board. This issue caused a significant increase in expenditure in 2011-12

Financial performance for the year

General Revenue Account (GRA)

This account shows income and expenditure for all services except Council housing. The Council set a net budget of £13.980m for the year for its GRA activities. The final outturn position shows a favourable budget variance of £0.211m, which represents 1.5% of the budget requirement. This favourable variance has mainly been achieved through Business Plan savings being delivered earlier than originally anticipated, the active management of staffing levels, and steady income performance.

In accordance with the Budget agreed by Council in February 2013, £190,000 of GRA Balances have been transferred to GRA Earmarked Reserves to partially fund the new Business Rates Equalisation Reserve.

Housing Revenue Account (HRA)

This account shows income and expenditure relating to the Council's housing stock. The Council set a budget of £23.932m for the year for its HRA activities, and expenditure was contained within this target.

There was no movement in HRA Balances in the year, but HRA Earmarked Reserves increased by £2.144m, which mainly reflected funds set aside for capital investment that will be spent in 2013-14.

The financial performance for the year on both the GRA and the HRA was broadly in line with the overall budget, while the level of balances and reserves continues to be adequate for prudent financial management.

Capital investment in the year

Each year the Council invests money to buy new infrastructure, buildings and equipment and to pay for long-term improvements to its existing assets. This spending is needed to maintain and develop the services that the Council provides.

The following tables provide a breakdown of the total investment for the year.

Where the money comes from

	2012/2013	2011/2012
	£'000	£'000
Capital Receipts	1,285	1,846
Government Grants and Other Contributions	2,212	2,093
Revenue Contributions	6,744	4,181
Increase in underlying need to borrow	0	726
Other	0	360
Total	10,241	9,206

What the money is spent on

	2012/2013	2011/2012
	£'000	£'000
Property, Plant and Equipment	7,890	7,303
Intangible Assets and Heritage Assets	21	87
Revenue Expenditure Funded from Capital	2,102	1,588
Other	228	228
Total	10,241	9,206

Financial position

The main assets of the Council are its housing stock and the other land, buildings and equipment that it owns. These assets have been valued at £191.616m in the accounts. The Council had a total net worth of £61.526m at 31st March 2013, taking into account all of its assets and liabilities. The debt funding required for HRA self

financing has significantly reduced the net worth of the Council compared to previous years.

Significant issues in the accounts

The implementation of HRA self financing has continued to have a significant impact on the accounts. The one off self financing payment of £88.212m made to the Government in 2011-12 was charged to the HRA in this year and consequently had a significant effect on expenditure. This payment was funded by borrowing and consequently significantly reduced the level of the Capital Adjustment Account and the net worth of the Council. This also meant that the Council moved from being debt free to having a significant level of external borrowing.

The interest on this borrowing was £3.057m in 2012-13. However as a result of subsidy payments no longer having to be made to the Government, a saving of £6.204m was made. This has enabled an increase in capital investment to take place, with additions to Council Dwellings increasing to £6.760m in the year (£5.047m in 2011-12). Further funding for future capital investment has also been set aside, and this is the main reason for the £2.144m increase in HRA earmarked reserves.

There has also been a significant reduction in the value of Investment Properties of £1.146m. This is mainly as a result of movements in the market value of these properties over the year.

The value of the net pension liability in the accounts has increased by £8.811m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy. This deterioration is mainly a result of an actuarial loss of £7.813m on the pension fund.

The value of Debtors has increased by £1.231m over the year to £7.185m. This is mainly the result of an increase in a Government debtor relating to Business rates agency collection arrangements.

The total level of Usable Reserves has increased by £1.831m over the course of the year. This mainly reflects an increase in HRA and GRA Earmarked Reserves where funds have been set aside for future capital investment. The level of the Capital Receipts Reserve has though continued to reduce, as levels and values of asset sales are currently very low compared to previous periods. The Major Repairs Reserve was also fully utilised in the year so that there was a nil balance at the year end.

The Council agreed a set of Major Service Review proposals, including a number of redundancies, that were implemented in time for the 2012-13 financial year. These proposals included efficiency savings, increases in income, shared service arrangements and spending reductions in non-priority areas. This forms part of the planned approach for dealing with the very difficult financial position facing the Council. As a result the accounts show a reduction in net costs across a wide range of service areas.

Government grants to the Council for Benefits Payments and Administration increased by £1.142m over the course of the year, which reflects the current economic climate. This was matched by a similar increase in levels of Benefit payments.

The Council has continued to manage its budgets successfully during the last two years and delivered outturn positions broadly in line with budgets on both its General and Housing Revenue Accounts.

Future revenue spending and capital investment plans

The Council is facing a difficult medium term financial position as a result of the Government reducing the funding it provides to all local authorities and the challenging economic climate. The Council will meet this challenge through a medium term business plan process which will identify a programme of savings to meet the anticipated budget gap while protecting service levels as far as possible. Details on this business plan process have been the subject of a number of reports to Council, and further details can be found at:

http://www.westlancs.gov.uk/council_and_democracy/strategies_and_plans/business_plan.aspx

The budget that was set for 2013-14 contained a range of efficiency and savings measures but did not include any significant service reductions.

The Council is very aware of the pressure on our resident's finances due to the difficult financial climate. Consequently it was decided to freeze the Council tax level for the fourth year in a row. This continues our track record of delivering affordable Council tax increases.

Looking to the future, it is expected that a further Major Service Review will be completed during the year and reported to Council. This Review is one of the key work streams in the business plan, and will set out a series of proposals concerning how services could be restructured to produce the savings necessary to balance the budget in future years.

The capital programme for 2013-14 is based on a budget of £19.597m as set out below. This is significantly more than the previous year, and largely reflects the increased funding available for investment in the Housing Stock as a result of the implementation of the new HRA self financing system. The budget that was set for the HRA for 2013-14 has been significantly influenced by this new system, and the HRA Business Plan sets out projections of future expenditure and resources over a 30 year period.

Details of all the budget figures agreed for 2013-14 are available in the Council's budget book at:

West Lancashire Borough Council Statement of Accounts 2012/2013

http://www.westlancs.gov.uk/council_and_democracy/performance_and_spending/council_budget.aspx

Sources of funding for the capital programme

	2013/2014	2012/2013
	£'000	£'000
Capital grants	160	355
HRA funding	8,815	7,721
Capital receipt funding	2,016	1,780
Borrowing	7,558	0
GRA funding	1,048	300
Total	19,597	10,156

Key elements of the programme include:

- Improving the condition of the Council's housing stock
- Funding for the expansion of CCTV coverage
- A joint scheme to upgrade Moor Street in Ormskirk with Lancashire County Council
- The introduction of Blue Wheelie Bins to replace the existing Boxes
- Affordable housing
- Planned enhancements and improvements to Council Buildings
- Funding for the regeneration of industrial units
- Investment in IT Systems

Further information

It is the Council's policy to provide full information about its financial affairs. Further details about the accounts, and summary versions of the statement in other languages, can be obtained by:

- E-mailing Marc.Taylor@westlancs.gov.uk
- Telephoning (01695) 585092
- Writing to West Lancashire Borough Council
52 Derby Street
Ormskirk
Lancashire L39 2DF

WEST LANCASHIRE BOROUGH COUNCIL

2012/13 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the production of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the mechanisms through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework, the key elements of which are as follows:

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#).

The Council's 4 year Business Plan sets out how it will deal with the very difficult financial challenges facing all local authorities as a result of government decisions on grant funding reductions and the challenging economic climate.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

The innovative Joint Managing Director structure continues to provide high quality management for the Council.

The Council has a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to attain the highest quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customer's homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

A corporate Equality and Diversity steering group is in place which meets periodically to ensure the Council complies with its duties under Equality legislation.

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer".

As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends Directorate Service Head meetings and has a direct reporting line to the Joint Managing Directors. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which fully assesses the potential financial risks to the Authority, are in place and reviewed regularly. Standing orders, Contract Procedure Rules and Financial Regulations, that detail the Authority's financial management arrangements, are also maintained and developed.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*.

The Council's Monitoring Officer Protocol sets out how the Council deals with issues of concern including legality, probity, vires and constitutional issues.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy.

Recruitment Procedures are in place to ensure the appointment of appropriately skilled employees. An induction process is also in place for employees along with guidance for Managers on how to induct new employees into their teams. Ongoing training needs are identified through a Development Appraisal Scheme.

The Council is committed to consulting local people and a 'Your Views' section is available on the Council's website dedicated to engaging the public.

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service and Managers within the Authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by the work undertaken by the External Auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and is made up of its standing orders, financial regulations and scheme of delegation together with various associated policies and procedures.

Our most recent Annual Audit Letter from the Audit Commission concluded that the Council has effective arrangements in place for internal control. Our new external auditors, Grant Thornton, have also not raised any significant issues of concern.

As part of the procedure for producing this statement, the Council's Heads of Service and Senior Managers are required to review whether there are any significant control or governance issues that require addressing. Areas for development in data protection arrangements were identified through this process and details on this are provided later in this statement. The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters.

In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2012-13 does not identify any serious deficiencies in the Council's internal control mechanisms.

The Audit and Governance Committee are charged with monitoring Contract Procedure Rules, Financial Regulations and other provisions of the Constitution. This Committee also considers how well the Council has complied with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and plans to address development issues and ensure continuous improvement of the system are in place.

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2012-13 and has also set a balanced budget for 2013-14. Consequently the Council is taking appropriate action to secure a stable financial position.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

While the Council currently has a healthy financial position, dealing with the very difficult economic environment continues to be the primary challenge for the Authority. The Medium Term Financial Forecast identified a need to make 30% savings over 4 years and this level of savings has meant that the Council has needed to radically change its structure and the way it operates.

The Business Plan has been developed to achieve these savings through a measured and well thought out process. However this level of change will create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

DATA PROTECTION

The Council reported a data protection issue to the Information Commissioner's Office in the year and has entered into a voluntary undertaking. The Council is reviewing and developing this area. This has included completing an internal audit of data protection processes and implementing an action plan of targeted improvements. An additional resource was also agreed in the Budget to implement these developments.

The action plan has now been substantially completed and a satisfactory level of compliance achieved against best practice requirements. Additional work will take place over the next few months to complete the action plan and to develop processes and procedures further to minimise the risk of issues arising in the future.

REVENUES AND BENEFITS

Revenues and Benefits have seen a significant amount of change in recent months with the introduction of a Localised Council Tax Support Scheme to replace Council Tax Benefits, new rules on entitlement to Housing Benefits, and the implementation of a new IT system. No material governance matters have been identified, but given the scale of change there is an increased audit risk, which is why this area is included on the Key Risks Register. Internal audit reviews are currently in progress and external audit will also review this service area as part of their standard work on the audit of the accounts. The large scale investment in IT that has taken place will allow for an efficient and effective service to be provided in the future.

We propose to monitor the above issues over the coming year and to take steps to maintain and develop our governance arrangements.

SIGNED:

Date

LEADER

SIGNED:

Date

MANAGING DIRECTOR (PEOPLE AND PLACES)

SIGNED:

Date

MANAGING DIRECTOR (TRANSFORMATION)

On behalf of West Lancashire Borough Council

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LANCASHIRE
BOROUGH COUNCIL**

This report will be included in the Statement of Accounts in September once the audit of the accounts has been completed.

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The following responsibilities are placed upon the Authority and its Chief Finance Officer in relation to the Council's financial affairs.

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Borough Treasurer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

As the Authority's Chief Finance Officer, I am responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

I have also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31st March 2013 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
June 2013

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2011	1,149	9,425	631	1,296	5,937	382	0	18,820	158,690	177,510
<i>Movement in Reserves during 2011-2012</i>										
Surplus or deficit (-) on the provision of services	-5,035		-95,440					-100,475		-100,475
Other Comprehensive Income and Expenditure								0	-9,130	-9,130
Total Comprehensive Income and Expenditure	-5,035	0	-95,440	0	0	0	0	-100,475	-9,130	-109,605
Adjustments between accounting basis and funding basis under regulations (note 6)	4,574		95,861		-1,676	154	90	99,003	-99,003	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	-461	0	421	0	-1,676	154	90	-1,472	-108,133	-109,605
Transfers to / from Earmarked Reserves (note 7)	461	-461	-396	396				0		0
Increase / Decrease (-) in 2011-12	0	-461	25	396	-1,676	154	90	-1,472	-108,133	-109,605
Balance at 31 March 2012	1,149	8,964	656	1,692	4,261	536	90	17,348	50,557	67,905

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2012	1,149	8,964	656	1,692	4,261	536	90	17,348	50,557	67,905
<i>Movement in Reserves during 2012-2013</i>										
Surplus or deficit (-) on the provision of services	-4,337		2,668					-1,669		-1,669
Other Comprehensive Income and Expenditure								0	-4,711	-4,711
Total Comprehensive Income and Expenditure	-4,337	0	2,668	0	0	0	0	-1,669	-4,711	-6,380
Adjustments between accounting basis and funding basis under regulations (note 6)	5,275		-526		-743	-536	30	3,500	-3,500	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	938	0	2,142	0	-743	-536	30	1,831	-8,211	-6,380
Transfers to / from Earmarked Reserves (note 7)	-1,126	1,126	-2,143	2,143				0		0
Increase / Decrease (-) in 2012-13	-188	1,126	-1	2,143	-743	-536	30	1,831	-8,211	-6,380
Balance at 31 March 2013	961	10,090	655	3,835	3,518	0	120	19,179	42,346	61,525

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/2012				2012/2013		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
4,367	492	3,875	Cultural and Related Services	3,910	252	3,658
8,944	2,470	6,474	Environmental Services	8,840	3,285	5,555
1,061	1,057	4	Highways, Roads & Transport	1,067	967	100
20,159	22,635	-2,476	Local Authority Housing (HRA)	14,630	24,112	-9,482
88,212	0	88,212	HRA Self Financing Payment	0	0	0
9,828	0	9,828	HRA - impairment	3,520	0	3,520
31,473	30,267	1,206	Other Housing Services	32,851	31,613	1,238
4,224	2,104	2,120	Planning Services	3,773	2,391	1,382
2,595	2	2,593	Corporate & Democratic Core	1,972	0	1,972
513	0	513	Non Distributed Costs	169	0	169
13,217	11,613	1,604	Other Central Services	13,543	11,873	1,670
184,593	70,640	113,953	Cost of Services	84,275	74,493	9,782
1,267	541	726	Other operating expenditure (note 8)	2,812	1,147	1,665
3,365	1,371	1,994	Financing & investment income & expenditure (note 9)	6,386	1,380	5,006
0	16,198	-16,198	Taxation and non specific grant income (note 10)	0	14,784	-14,784
189,225	88,750	100,475	Surplus (-) or Deficit on Provision of Services	93,473	91,804	1,669
		127	Surplus (-) or deficit on revaluation of non current assets			-3,102
		9,003	Actuarial gains (-) or losses on pension assets and liabilities			7,813
		9,130	Other Comprehensive Income and Expenditure			4,711
		109,605	Total Comprehensive Income and Expenditure			6,380

BALANCE SHEET

31 March 2011 £'000	31 March 2012 £'000		Notes	31 March 2013 £'000
192,214	184,023	Property, Plant & Equipment	11a	184,834
458	458	Heritage Assets	12	461
8,819	7,282	Investment Property	13	6,136
241	243	Intangible Assets	14	185
15	15	Long Term Investments		15
210	76	Long Term Debtors		72
201,957	192,097	Long term assets		191,703
9,546	10,008	Short Term Investments		11,008
0	0	Assets held for sale	11b	573
148	58	Inventories	17	32
7,307	5,954	Short Term Debtors	18	7,185
5,111	5,602	Cash and Cash Equivalents	19	5,449
22,112	21,622	Current assets		24,247
0	-574	Bank Overdraft	19	-817
-5,833	-6,425	Short Term Creditors	20	-6,049
-5,833	-6,999	Current Liabilities		-6,866
-202	-243	Provisions	21	-393
-37,213	-47,020	Pension Liabilities	37	-55,831
-1,605	-1,528	Other Long Term Liabilities	36	-1,091
-1,706	-1,778	Grants & Contributions in Advance	32	-1,997
0	-88,246	Long Term Borrowing	16	-88,246
-40,726	-138,815	Long Term Liabilities		-147,558
177,510	67,905	Net Assets		61,526
-18,822	-17,350	Usable Reserves	22	-19,182
-158,688	-50,555	Unusable Reserves	23	-42,344
-177,510	-67,905	Total Reserves		-61,526

CASH FLOW STATEMENT

2011-2012		2012-2013	
£'000		£'000	£'000
-100,475	Net Deficit on the Provision of Services	-1,669	
17,688	Adjustments for non-cash movements (note 24)	13,438	
-1,482	Adjustments for items that are investing or financing activities (note 24)	-1,387	
-84,269	Net Cash Flows from Operating Activities		10,382
-6,043	Investing Activities (note 25)		-7,273
90,228	Financing Activities (note 26)		-3,505
-84	Change in Cash and Cash Equivalents		-396
5,111	Cash & Cash Equivalents at start of period		5,027
5,027	Cash & Cash Equivalents at end of period (note 19)		4,631

In 2011-12 there was a significant net outflow of cash on operating activities mainly as a result of a one off payment of £88.212m to the Government in relation to the introduction of a new HRA self financing system. This payment was funded by borrowing, and consequently there was a matching large scale net inflow of cash on financing activities.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31st March 2013. It has been prepared in accordance with relevant statutory regulations and proper accounting practice, and in particular the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the Service Reporting Code of Practice and International Financial Reporting Standards.

The accounting convention adopted in the Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place and not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are recognised as income at the date the goods or services are provided and where it is probable that the income will be received
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and interest payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are represented by short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise Council tax to cover depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall Borrowing Requirement.

Depreciation, revaluation and impairment losses and amortisation are replaced by a Minimum Revenue Provision calculated on a prudent basis by the Council in accordance with statutory guidance. This is achieved through an adjusting transaction between the General Fund Balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Capital charges to the Housing Revenue Account are calculated in accordance with statutory regulations, and in particular the Item 8 Credit and Debit Determinations.

vi. **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of an officer's employment or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional entries for pension enhancement termination benefits and to replace them with the amount payable to the pension fund in the year.

Post Employment Benefits

The Council participates in a Local Government Pension Scheme administered by the Lancashire County Pension Fund. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on high quality corporate bonds.

The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

Statutory provisions require the General Fund balance to be charged with the amount payable to the Pension Fund in the year rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with the amounts actually payable to the Pension Fund for the year.

Consequently the negative balance that arises on the Pensions Reserve measures the beneficial impact on the General Fund balance of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

vii. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Typically this means for borrowing, that the amount shown in the Balance Sheet is the outstanding principal payable (plus accrued interest), and the

interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

These assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and then carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Typically this means for investments, that the amount shown in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the asset.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as income at the date where there is reasonable assurance that the Council will comply with any conditions attached to the payments and that the payments will be received.

Amounts due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that require the grant or contribution to be used in a specified manner or else to be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

x. Heritage Assets

Heritage assets are those which have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. It is intended that such assets are preserved in trust for future generations because of their cultural, environmental and historical association.

Heritage assets are generally recognised and measured in accordance with the Council's policies on property, plant and equipment. These assets will be recognised at cost in the Council's balance sheet where this can be identified. No depreciation will be accounted for due to their indeterminate useful lives. Reviews of such assets will be undertaken on a visual basis on a yearly cycle or where there is evidence of impairment. With specific regard to Civic Regalia items these will be valued on a three yearly basis by a specialist valuer.

xi. Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset.

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received or provided under the contract during the financial year.

In 2004/05 the Council entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. This includes an investment programme that is financed through a deferred liability scheme, and the relevant assets and liabilities are included in the balance sheet.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. The same treatment is applied for gains and losses on disposals.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as Lessee: Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset that writes down the value of the liability in the Balance Sheet

- A financing charge that is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where the ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessee: Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased asset.

The Council as Lessor: Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet, and the rental income is credited to the Comprehensive Income and Expenditure Statement.

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13. The total absorption costing principle is used and the full cost of overheads and support services are shared between users in proportion to the benefits received.

The bases of allocations used for the main support services are time allocations for staff, floor area for administrative buildings, and transaction numbers for exchequer services.

xvi. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value determined using the basis of existing use value for social housing
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Where non property assets have short useful lives or low values, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)

- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and the possible difference is estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Relevant assets are depreciated over their estimated useful lives on a straight line basis assuming no residual values, apart from a small number of vehicle finance leases. The Council's Estates section has determined the useful lives of dwellings and buildings and these vary depending on the nature of the asset considered.

Where an item of Property, Plant and Equipment has major components with significantly different useful lives and whose costs are significant in relation to the total cost of the item, then the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation charge that would have been made based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals (if any) are then also credited to this same line in the Comprehensive Income and Expenditure Statement. The net value of these transactions then reflects the gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

A proportion of receipts relating to housing disposals must be paid over to the Government under a pooling arrangement. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event takes place that will probably lead to a future expense, but where the timing or amount of the expense is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties. Payments are then charged to the provision set up in the Balance Sheet when they are eventually made.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the likely cost. Where a provision is no longer required it will be reversed and credited back to the relevant service.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either it is not sufficiently certain that the event will take place or the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset but whose existence will only be confirmed by the

occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, retirement and employee benefits. These do not represent usable resources for the Council, and include the capital adjustment account, revaluation reserve and pensions reserve.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure that has been incurred that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement in the year.

Where the Council determines that it will meet such expenditure from its capital resources, then a transfer will be made in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amounts charged so that there is no impact on the level of the Council tax.

xx. VAT

Income and expenditure excludes any amounts that relate to VAT. This is because all VAT collected is payable to HM Revenues and Customs, and all VAT paid is recoverable from them.

xxi. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and

West Lancashire Borough Council Statement of Accounts 2012/2013

Expenditure Statement or in the notes to the accounts, depending on how significant items are to an understanding of the Council's financial performance.

xxi. Accounting Standards Issued But Not Yet Adopted

IAS 1 Presentation of Financial Statements

An amendment has been made to IAS 1 Presentation of Financial Statements with the aim of improving the presentation of items in Other Comprehensive Income. The change is effective from 1 April 2013 and it will result in new groupings of the sections of the Comprehensive Income and Expenditure Statement into reclassifiable and non-reclassifiable groupings. This change is a presentational change only and will not affect any of the reported amounts in the Comprehensive Income and Expenditure Statement.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities)

The 2013/14 Code is adopting amendments to IFRS 7 that will result in a change of accounting policy from 1 April 2013 requiring disclosures for the offsetting of financial assets and liabilities. The impact of this change is not anticipated to be material on the financial statements of this Authority.

IAS 12 Deferred Tax: Recovery of Underlying Assets

This is a minor change to the accounting policy, which particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.

IAS 19 Employee Benefits

Revisions have been made to IAS 19 which require a change to the pension disclosures and terminology. The change is effective from 1 April 2013 and will be fully adopted in the Council's 2013/14 financial statements. Under the revised IAS 19, the Council is required to recognise all changes, including actuarial gains and losses, unvested past service costs, settlements and curtailments in a net-defined benefit liability (asset) when they occur. The standard renames actuarial gains and losses as 'remeasurements' and they will be recognised immediately in the Comprehensive Income and Expenditure Statement.

The impact of the changes on the financial statements in 2012/13 is estimated to be an increase of £0.77m to pension costs recognised in the Surplus or Deficit on Provision of Services, and a decrease of £0.77m in Other Comprehensive Income and Expenditure. There will be no change to the overall Pension Fund deficit.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However this uncertainty is not yet sufficient to provide an indication of what assets might be impaired as a result of the need to make savings and potentially reduce service levels in certain areas
- The Council has entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, the actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31st March 2013 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	The useful lives of assets are estimated when calculating depreciation but it is not possible to know these lives with certainty	An increase in estimated useful lives of 1% would decrease depreciation charges by £40,000
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide expert advice on the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 37 provides details on actuarial gains and losses in recent years
Grant claims	Income for government grants in certain cases is based on estimated claims which are still subject to audit and could possibly change	Details on grant income levels are provided in note 32.

Arrears	Note 18 provides details on levels of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased. A 10% increase in impairment of doubtful debts would require an additional £0.35m to be set aside
Expenditure accruals	At the year end estimates are made of the value of goods and services delivered but not yet paid. These estimates are then used as a basis for accruing expenditure.	Details on creditors are provided in note 20.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Details on HRA Self Financing of £88.212m in 2011-12 and HRA impairment of £3.520m (£9.828m in 2011-12) are shown separately on the Income and Expenditure Statement. HRA interest costs increased by just over £3m as a result of the introduction of self financing, but as subsidy payments to the government reduced by over £6m, the Council has benefitted significantly from this new system.

General Government revenue grants reduced by £0.757m as a result of public sector spending reductions. However benefit payments and grant funding have increased as a result of the current economic climate, and this has increased expenditure and income on Other Housing Services and Other Central Services.

5. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts were authorised for issue by the Borough Treasurer on 28th June 2013. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events that took place after 31st March 2013 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- New arrangements for the retention of business rates income come into effect on 1 April 2013. From this date, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The Council's share of this liability has been estimated at £560,000

6. **ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out below:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all the liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balances, which is not necessarily in accordance with proper accounting practice. This Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This Balance is not however available to be applied to funding HRA services.

Housing Revenue Account Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part IV of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Receipts Reserve

This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2012/13	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,594	2,369				-3,963
Charges for impairment and revaluation losses of non current assets	574	3,520				-4,094
HRA Self Financing Payment		0				0
Movements in the Market Value of Investment Properties	1,003					-1,003
Amortisation of intangible assets	50	25				-75
Capital grants and contributions applied	-2,073	-139				2,212
Revenue expenditure funded from capital under statute	2,102					-2,102
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	859	836				-1,695
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the financing of capital investment	-232	-253				485
Capital expenditure charged against the General Fund and HRA balances	-114	-3,701				3,815
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-30				30	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Transfer to Major Repairs Reserve		-2,394		2,394		
Use of the Major Repairs Reserve to finance new capital expenditure				-2,930		2,930

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2012/13 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-111	-1,036	1,147			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,285			1,285
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal	3	32	-35			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	574		-574			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			4			-4
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,261	699				-3,960
Employer's pension contributions	-2,186	-490				2,676
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12					-12
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	-11	6				5
Total Adjustments	5,275	-526	-743	-536	30	-3,500

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,644	2,421				-4,065
Charges for impairment and revaluation losses of non current assets	1,083	9,828				-10,911
HRA Self Financing Payment		88,212				-88,212
Movements in the Market Value of Investment Properties	1,539					-1,539
Amortisation of intangible assets	85					-85
Capital grants and contributions applied	-1,537	-556				2,093
Revenue expenditure funded from capital under statute	1,588					-1,588
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	14	373				-387
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	-155					155
Capital expenditure charged against the General Fund and HRA balances	-249					249
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-90				90	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		-4,085		4,085		
Use of Major Repairs Reserve to finance new capital expenditure				-3,931		3,931

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2011/12 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-39	-502	541			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,846			1,846
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal		27	-27			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	349		-349			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			5			-5
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,113	621				-3,734
Employer's pension contributions	-2,737	-479				3,216
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-34					34
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	0	1				-1
Total Adjustments	4,574	95,861	-1,676	154	90	-99,003

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/11 £'000	Movement in year £'000	Balance 31/3/12 £'000	Movement in year £'000	Balance 31/3/13 £'000
Insurance Fund	2,759	-47	2,712	-203	2,509
Renewal and Repairs Funds	316	45	361	71	432
Corporate Reserves	5,245	-291	4,954	344	5,298
Ring Fenced Reserves	721	-141	580	-3	577
Capital Reserve	0	0	0	988	988
Specific Grant Reserves	384	-27	357	-71	286
General Fund subtotal	9,425	-461	8,964	1,126	10,090
HRA Reserves	1,296	396	1,692	2,143	3,835
Total	10,721	-65	10,656	3,269	13,925

8. OTHER OPERATING EXPENDITURE

	2012/2013 £'000	2011/2012 £'000
Parish Council Precepts	507	504
Payments to the Government Housing Capital Receipts Pool	574	349
Gains / losses on the disposal of non current assets	584	-127
Total	1,665	726

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/2013 £'000	2011/2012 £'000
Interest payable and similar charges	3,177	154
Pensions interest cost and expected return on pension assets	1,571	1,076
Interest income	-198	-225
Income, expenditure and changes in the fair value of investment properties	456	989
Gains and losses on trading accounts	0	0
Total	5,006	1,994

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2012/2013	2011/2012
	£'000	£'000
Council tax income	7,444	7,408
Non domestic rates distribution	6,513	5,658
Non ring fenced government grants	552	2,164
Capital grants and contributions	275	968
Total	14,784	16,198

West Lancashire Borough Council Statement of Accounts 2012/2013

11a. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2012-13	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2012	165,202	39,575	6,805	749	1,799	0	214,130
Additions	6,760	639	456	32	2		7,889
Revaluation increases / decreases recognised in the Revaluation Reserve	1,384	2,192					3,576
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services							0
De-recognition - disposals and decommissioning	-3,688	-1,234	-2,086				-7,008
Other revaluations and transfers	-133	-440				144	-429
Balance at 31st March 2013	169,525	40,732	5,175	781	1,801	144	218,158
Accumulated Depreciation and Impairment							
Balance at 1 st April 2012	-18,404	-7,189	-4,511				-30,104
Depreciation written out to the Revaluation Reserve	-28	-206					-234
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,301	-777	-652				-3,730
Impairment Losses / Reversals recognised in the Revaluation Reserve	-430	-45					-475
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-3,520	-574					-4,094
De-recognition - disposals and decommissioning	2,852	375	2,086				5,313
Other revaluations and transfers							
Balance at 31st March 2013	-21,831	-8,416	-3,077	0	0	0	-33,324
Net Book Value							
Balance at 1 st April 2012	146,798	32,386	2,294	749	1,799	0	184,026
Balance at 31 st March 2013	147,694	32,316	2,098	781	1,801	144	184,834

West Lancashire Borough Council Statement of Accounts 2012/2013

Movement on Balances 2011-12	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2011	160,361	37,840	7,043	554	1,674	487	207,959
Additions	5,047	1,659	274	195	128		7,303
Revaluation increases / decreases recognised in the Revaluation Reserve		99					99
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services							0
De-recognition - disposals and decommissioning	-694	-23	-512				-1,229
Other revaluations and transfers	487					-487	0
Balance at 31st March 2012	165,201	39,575	6,805	749	1,802	0	214,132
Accumulated Depreciation and Impairment							
Balance at 1 st April 2011	-6,367	-5,109	-4,266	0	0	0	-15,742
Depreciation written out to the Revaluation Reserve	-10	-164					-174
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,361	-774	-757				-3,892
Impairment Losses / Reversals recognised in the Revaluation Reserve	-159	-68					-227
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-9,827	-1,083					-10,910
De-recognition - disposals and decommissioning	320	9	512				841
Other revaluations and transfers							0
Balance at 31st March 2012	-18,404	-7,189	-4,511	0	0	0	-30,104
Net Book Value							
Balance at 1st April 2011	153,994	32,731	2,777	554	1,674	487	192,217
Balance at 31st March 2012	146,797	32,386	2,294	749	1,802	0	184,028

Depreciation

All of the following assets, except infrastructure, are depreciated on a straight line basis over the life of the asset. No residual value is assumed for these assets apart from leased refuse collection vehicles for which a residual value is estimated at around £10,000 per vehicle.

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – 75 years for houses and 30 years for garages
- Other Land and Buildings – these have a range of lives varying between 10 and 60 years, although the majority of assets have an estimated life of around 30 to 40 years
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of asset with estimated useful lives mostly between 5 and 12 years
- Infrastructure – these assets are inalienable in nature, in that value is derived only by continued use of the asset in its current form (there is no prospect of sale or alternative use). As such these assets are not depreciated but will either be written out when there is a change of use or a revaluation exercise.

Capital Commitments

At 31st March 2013 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £2.755m. Similar commitments as at 31st March 2012 were £2.299m.

The major commitments are:

- Windows and Door replacements £1.044m
- Bathroom installation £0.749m
- Leisure Centre investment in partnership with Serco £0.560m

Other

There were no assets classified as under construction during 2012-13, and no assets classified as surplus during 2011-12.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every 5 years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating fair values are:

- The analysis of value split between land and buildings
- The estimated useful life of the asset
- Full building surveys have not been carried out as part of the valuation process

	Council Dwellings	Other Land & Buildings	Vehicles, Furniture, Plant & Equipment	Total
	£'000	£'000	£'000	£'000
Historical cost at last valuation	156,488	37,576	5,175	199,239
Valued at fair value as at:				
31 st March 2013	147,695	32,318	2,098	182,111
31 st March 2012	143,890	31,471	2,245	177,606
31 st March 2011	153,005	31,810	2,561	187,376
31 st March 2010	190,606	33,020	2,059	225,685
31 st March 2009	197,732	33,944	2,303	233,979

11b. ASSETS HELD FOR SALE

During the course of the year Council dwellings valued at £133,000 and Other Land and Buildings valued at £440,000 were reclassified as Current Assets Held for Sale. There were no opening balances on Current Assets Held for Sale and consequently the closing balances were £573,000.

12. HERITAGE ASSETS

In accordance with the Code, the Council recognises Heritage Assets in its accounts, and these are recorded in the balance sheet at valuation as determined by the Code. If valuations cannot be determined the Heritage Assets are simply recorded in the asset register, as it is considered that the disclosure would be immaterial and would not add any enhancement to the reader in the understanding of the accounts.

The Council has three main classes of heritage asset:

Civic Regalia:

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office valued at £74,000. These items are used by the Mayor and Deputy Mayor for Civic functions and are valued every 3 years by a specialist professional firm, the last valuation being undertaken during 2011.

Public Sculptures

Three public sculptures were built within the Skelmersdale area of the Borough and were identified as the 'Roundabout Sculptures.' These were built to provide character to the area as well as exhibiting high technology and innovation, and interaction with the local community. The sculptures are commonly termed the Daffodil Sculpture, the Faces Roundabout and the Lighting Column. They are valued on the asset register at cost, £364,000,

and no depreciation is accounted for as they have an indeterminate useful life.

These assets are visually inspected on an annual basis to review any potential impairment.

Memorials, fountains and village cross

The Council has a number of war memorials located within the Borough, relating to the Boer war and First and Second world wars. The Council also owns two fountains and a village cross. These assets have an indeterminate useful life and are valued at cost where known, or otherwise simply recognised in the Council's asset register. The total cost recognised for this class of asset is £24,000.

The total value of Heritage Assets is £462,000. There was £4,000 of expenditure incurred on a war memorial during 2012-13, but no changes to the value of these assets in the previous 5 years.

13. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2012/2013	2011/2012
	£'000	£'000
Rental income	-1,183	-1,147
Direct operating expenses	636	597
Net gain / loss	-547	-550

There are restrictions on a number of investment properties concerning how any disposal proceeds or income generated can be used. The Council has no contractual obligations to purchase, construct, or develop investment property or repairs, maintenance or enhancement.

The movement in the fair value of investment properties is shown below:

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	7,282	8,821
Net gains/losses from fair value adjustments	-1,003	-1,539
Other	-144	0
Balance at end of year	6,135	7,282

These movements include a significant loss from a fair value adjustment to a single investment property based on a reduction in its future expected rental income stream.

14. INTANGIBLE ASSETS

The Council accounts for purchased software licences as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. Most assets have a useful life of 5 years. The carrying amount of intangible assets is amortised on a straight line basis.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year:		
- Gross carrying amount	512	710
- Accumulated amortisation	-268	-468
Net carrying amount at start of year	244	242
Purchases	18	87
Amortisation for the period	-75	-85
Net carrying amount at end of year	187	244

Balance at end of year:		
- Gross carrying amount	530	512
- Accumulated amortisation	-343	-268
Net carrying amount at end of year	187	244

15. IMPAIRMENT AND REVALUATION LOSSES

A desktop review of the values of Council Dwellings was completed in year, which determined that their value should be reduced by £0.567m. This review was completed in accordance with statutory and accounting regulations.

Council dwellings were also impaired by a further £3.383m, as a result of an element of the Housing capital programme not increasing the book value of these properties. This position was reached after consultation with the Council's Estates section, who reviewed the elements of the capital programme and assessed those elements that increased the book value of properties and those that could be discounted. This procedure took account of the nature of the work, local property factors, and regulations that are in place.

Other Land and Buildings were impaired by £0.619m in the year. This was as a result of capital investment that has not increased the book value of assets.

16. FINANCIAL INSTRUMENTS

Financial liabilities are classified as liabilities at amortised cost and financial assets are classified as loans and receivables. Details of the carrying value of these instruments are provided in the Balance Sheet and these notes. The Council does not have any material soft loans.

The Council has taken out £88.212m of loans from the Public Works Loans Board to fund its HRA self financing payment to Central Government. Interest payments were made in the year on these loans and in relation to deferred liabilities and finance leases. Investment income is generated mainly from investments of short-term funds with Banks, Building Societies and Local Authorities. Details on interest expenses and investment income are shown in note 9 on Financing and Investment Income and Expenditure.

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at their amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31st March 2013 of 3.20% to 4.03% for loans from the PWLB based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- The fair value of trade debtors and creditors (as shown in notes 18 and 20) are taken to be the invoiced or billed amount. Consequently these items' carrying value is judged to be not materially different from their fair value
- The fair value of investments is assumed to approximate to its carrying value, as these instruments will mature within the next 12 months.

PWLB borrowing is the only item in the accounts where the fair value (£80.161m) and carrying amount including accrued interest (£88.246m) are materially different. This difference is because the Council's debt portfolio includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. This shows a notional future gain based on economic conditions at the balance sheet date arising from a commitment to pay interest to lenders below current market rates.

17. INVENTORIES

	2012/2013	2011/2012
	£'000	£'000
Work in progress	7	39
All other items	24	19
Total	31	58

18. DEBTORS

	2012/2013	2011/2012
	£'000	£'000
General Government Bodies	2,498	1,758
Other Local Authorities	3,414	2,402
Trade Debtors	1,913	2,421
Other Debtors	2,728	2,026
Payments in Advance	93	244
Sub total	10,646	8,851
Provision for impairments	-3,461	-2,897
Total	7,185	5,954

19. CASH AND CASH EQUIVALENTS

	2012/2013	2011/2012
	£'000	£'000
Cash and Bank	449	401
Money at call	5,000	5,200
Sub total	5,449	5,601
Bank overdraft	-817	-574
Total	4,632	5,027

20. CREDITORS

	2012/2013	2011/2012
	£'000	£'000
General Government Bodies	586	471
Other Local Authorities	1,385	711
Trade Creditors	3,948	5,043
Other Creditors	130	200
Total	6,049	6,425

21. PROVISIONS

	2012/2013	2011/2012
	£'000	£'000
Opening balance	244	202
Additional provisions made	199	107
Amounts used	0	-15
Unused amounts reversed	-50	-50
Closing balance	393	244

The main provisions held by the Council relate to potential claims for the repayment of Property Search income following a change in the statutory rules on charging, a provision for insurance liabilities relating to previous years, and disputed utility costs on a leased Investment Property.

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

23. UNUSABLE RESERVES

	2012/2013	2011/2012
	£'000	£'000
i. Revaluation Reserve	9,640	6,885
ii. Capital Adjustment Account	88,752	90,612
iii. Deferred Capital Receipts	10	14
iv. Pensions Reserve	-55,831	-46,734
v. Collection Fund Adjustment Account	-31	-19
vi. Accumulated Absences Account	-196	-201
Total	42,344	50,557

i. Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains realised

This reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/2013 £'000	2011/2012 £'000
Balance at start of year	6,885	7,185
<i>Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>		
Upward revaluation of assets	3,576	99
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	-475	-226
Sub total	3,101	-127
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-234	-173
Accumulated gains on assets sold or scrapped	-112	0
Sub total	-346	-173
Balance at end of year	9,640	6,885

ii. Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/2013 £'000	2011/2012 £'000
Balance at start of year	90,612	188,950
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment, and revaluation losses	-8,056	-14,975
Amortisation of intangible assets	-75	-85
Revenue expenditure funded from capital under statute	-2,102	-1,588
Non-current assets written off as part of the gain / loss on disposal of assets	-1,695	-387
HRA Self Financing	0	-88,212
Sub total	-11,928	-105,247
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,285	1,846
Use of the Major Repairs Reserve to finance new capital expenditure	2,929	3,932
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	2,212	2,093
Provision for the financing of capital investment charged against the General Fund and HRA balances	485	155
Capital expenditure charged against the General Fund and HRA balances	3,815	248
Sub total	10,726	8,274
Adjusting amounts written out of the Revaluation Reserve	345	174
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,003	-1,539
Balance at end of year	88,752	90,612

iii. **Deferred Capital Receipts Reserve**

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	14	19
Transfer to the Capital Receipts Reserve upon receipt of cash	-4	-5
Balance at end of year	10	14

iv. **Pensions Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	46,734	37,213
Actuarial gains and losses on pension assets and liabilities	7,813	9,003
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	3,960	3,734
Employer's pension contributions payable in the year	-2,676	-3,216
Balance at end of year	55,831	46,734

v. Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	19	53
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12	-34
Balance at end of year	31	19

vi. Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Account.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	201	200
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-5	1
Balance at end of year	196	201

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/2013	2011/2012
	£'000	£'000
Interest received	-195	-258
Interest paid	3,173	116

The deficit on the provision of services has been adjusted for the following non cash movements:

	2012/2013	2011/2012
	£'000	£'000
Depreciation	3,963	4,065
Impairment and downward valuations	5,097	12,450
Amortisation	75	85
Change in Creditors	-396	796
Change in Debtors	1,742	-748
Change in Inventories	27	90
Movement in Pension Liability	998	518
Carrying amount of non current assets sold or disposed	1,695	387
Other non cash items charged to the deficit on the provision of services	237	45
Non cash movements	13,438	17,688

The deficit on the provision of services has also been adjusted for the following items that are investing and financing activities:

	2012/2013	2011/2012
	£'000	£'000
Proceeds from the sale of non current assets	-1,112	-514
Capital grants for non current assets charged through revenue	-275	-968
Non cash movements	-1,387	-1,482

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/2013	2011/2012
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	-7,892	-7,231
Purchase of short term and long term investments	-57,000	-32,000
Proceeds from the sale of non-current assets	1,112	514
Proceeds from short term and long term investments	56,000	31,500
Other receipts from investing activities	507	1,174
Net cash flows from investing activities	-7,273	-6,043

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012/2013	2011/2012
	£'000	£'000
Receipts from financing activities	-3,171	2,453
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-334	-437
New borrowing	0	88,212
Net cash flows from financing activities	-3,505	90,228

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are made by the Council and its Cabinet on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year
- DSO activity is included within service budgets rather than being outside the net cost of services
- HRA reports include all HRA items rather than just those within the net cost of services
- Certain contributions to and from reserves are included within service reports

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2012/2013	2011/2012
	£'000	£'000
Net expenditure in the Service Analysis	16,272	19,419
Net expenditure of services and support services not included in the analysis	-214	298
Amounts in the Income and Expenditure Statement not reported to management in the Analysis	-852	-1,630
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-5,424	95,866
Cost of Services in the Income and Expenditure Statement	9,782	113,953

The income and expenditure of the Authority's principal services recorded in the budget reports are shown overleaf.

West Lancashire Borough Council Statement of Accounts 2012/2013

Income and Expenditure	Community Services	Corporate Services	Housing & Regeneration	HRA	Planning Services	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Income and Expenditure 2012-13							
Fees, charges and other service income	3,338	13,109	4,886	29,833	1,802	9,270	62,238
Government grants and contributions	2,184	39,164	215	0	10	1,315	42,888
Total income	5,522	52,273	5,101	29,833	1,812	10,585	105,126
Employee expenses	2,575	5,224	983	3,867	1,444	4,393	18,486
Other service expenses	5,136	44,429	2,312	17,791	316	9,158	79,142
Capital Charges	818	119	1,971	5,914	18	295	9,135
Support service recharges	1,867	6,412	923	2,261	1,599	1,573	14,635
Total expenditure	10,396	56,184	6,189	29,833	3,377	15,419	121,398
Net expenditure	4,874	3,911	1,088	0	1,565	4,834	16,272
Service Income and Expenditure 2011-12							
Fees, charges and other service income	3,439	13,836	5,428	121,777	1,937	10,092	156,509
Government grants and contributions	1,630	38,169	149	0	19	1,337	41,304
Total income	5,069	52,005	5,577	121,777	1,956	11,429	197,813
Employee expenses	2,484	6,180	1,141	4,086	1,536	4,890	20,317
Other service expenses	4,812	41,792	2,385	14,995	278	9,900	74,162
Capital Charges	706	151	3,058	100,461	12	424	104,812
Support service recharges	2,022	8,876	1,109	2,235	1,995	1,704	17,941
Total expenditure	10,024	56,999	7,693	121,777	3,821	16,918	217,232
Net expenditure	4,955	4,994	2,116	0	1,865	5,489	19,419

West Lancashire Borough Council Statement of Accounts 2012/2013

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2012-13	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	62,238	694	-1,879	-6,448	-23,074	31,531	1,183	32,714
Interest and investment income						0	198	198
Income from council tax						0	7,357	7,357
Government grants and contributions	42,888	124	-50			42,962	7,339	50,301
Other Items						0	1,147	1,147
Total income	105,126	818	-1,929	-6,448	-23,074	74,493	17,224	91,717
Employee expenses	18,486	349	-426	-2,768		15,641		15,641
Other service expenses	79,142	173	-1,364	-8,217	-23,074	46,660		46,660
Capital Charges	9,135		-1,003	-275		7,857		7,857
Support service recharges	14,635	82	12	-612		14,117		14,117
Interest payments						0	3,177	3,177
Precepts						0	507	507
Payments to Housing Capital Receipts Pool						0	574	574
Other Items						0	4,940	4,940
Total expenditure	121,398	604	-2,781	-11,872	-23,074	84,275	9,198	93,473
Surplus or deficit on the provision of services	16,272	-214	-852	-5,424	0	9,782	-8,026	1,756

West Lancashire Borough Council Statement of Accounts 2012/2013

Reconciliation to Subjective Analysis 2011-12	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	156,509	1,125	-850	-7,638	-119,760	29,386	1,147	30,533
Interest and investment income						0	224	224
Income from council tax						0	7,408	7,408
Government grants and contributions	41,304		-50			41,254	8,790	50,044
Other Items						0	541	541
Total income	197,813	1,125	-900	-7,638	-119,760	70,640	18,110	88,750
Employee expenses	20,317	576	-945	-3,146		16,802		16,802
Other service expenses	74,162	776	-233	92,591	-119,760	47,536		47,536
Capital Charges	104,812		-1,539	-377		102,896		102,896
Support service recharges	17,941	71	187	-840		17,359		17,359
Interest payments						0	154	154
Precepts						0	504	504
Payments to Housing Capital Receipts Pool						0	348	348
Other Items						0	3,626	3,626
Total expenditure	217,232	1,423	-2,530	88,228	-119,760	184,593	4,632	189,225
Surplus or deficit on the provision of services	19,419	298	-1,630	95,866	0	113,953	-13,478	100,475

28. TRADING OPERATIONS

Trading Services

The Council operates a market in Ormskirk on Thursdays and Saturdays under a market charter, as well as several car parks, and a commercial assets portfolio.

Direct Service Organisations

The Council has a number of DSOs that operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The DSO's income shown below largely represents internal transfers from service revenue accounts and this element is netted off in producing the Comprehensive Income and Expenditure Statement.

The surpluses generated on the DSOs have been repatriated to client services in line with accounting regulations.

	2012-13 Expenditure	2012-13 Income	2012-13 Deficit/ Surplus(-)	2011-12 Deficit/ Surplus(-)
	£'000	£'000	£'000	£'000
Trading Services				
Market	198	248	-50	-45
Car Parks	414	695	-281	-330
Commercial Assets Portfolio	640	1,006	-366	-288
Total	1,252	1,949	-697	-663
DSOs				
Refuse Collection & Street Cleaning	4,371	4,747	-376	-393
Grounds Maintenance	1,616	1,614	2	-32
Repatriation of balances		-374	374	425
Deficit / Surplus (-) transferred to I&E Statement	5,987	5,987	0	0

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.339m (£0.345m in 2011-12).

30. OFFICER REMUNERATION

The remuneration paid to senior officers whose salary is £50,000 or more is shown overleaf. The total cost in 2012-13 is significantly less than the previous year as a result of a senior management restructuring that included the deletion of the Chief Executive's post. The Economic Regeneration and Strategic Property Officer also left part way through 2012-13.

The number of other staff whose remuneration exceeded £50,000, excluding employer's pension contributions, is shown below. Of these staff 1 was made redundant in 2012/13, compared to 10 in 2011/12.

Remuneration band	Number of employees	
	2012/13	2011/12
£50,000 - £54,999	2	3
£55,000 - £59,999	1	
£65,000 - £69,999		3
£70,000 - £74,999		1
£80,000 - £84,999		1
£85,000 - £89,999		2
£95,000 - £99,999		1
Total	3	11

The relatively high number of redundancies in 2011/12 reflects the Major Service Review initiative that was implemented to reduce the Council's costs. The Council's redundancy policy requires that the savings generated by redundancies must be sufficient to repay any exit costs within a 3 year payback period.

West Lancashire Borough Council Statement of Accounts 2012/2013

Post Title	Salary £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2012-13 Remuneration</u>							
Managing Director (People and Places)	89,838	0	0	4,871	94,709	18,510	113,219
Managing Director (Transformation)	88,430	0	0	4,871	93,301	17,536	110,837
Assistant Director Housing and Regeneration	67,617	0	0	4,871	72,488	13,523	86,011
Assistant Director Community Services	67,690	151	0	4,871	72,712	13,523	86,235
Assistant Director Street Scene	61,515	0	0	4,871	66,386	12,294	78,680
Economic Regeneration & Strategic Property Officer (left in year)	5,658	0	0	0	5,658	1,049	6,707
Assistant Director Planning	60,191	0	0	4,871	65,062	12,038	77,100
Borough Treasurer	52,510	0	0	0	52,510	10,502	63,012
Transformation Manager	52,645	0	0	0	52,645	10,502	63,147
Borough Solicitor	53,149	0	0	0	53,149	10,502	63,651
<u>2011-12 Remuneration</u>							
Chief Executive (left in year)	67,137	252	116,877	3,745	188,011	152,507	340,518
Managing Director (People and Places)	84,843	252	0	4,871	89,966	17,730	107,696
Managing Director (Transformation)	83,956	0	0	4,871	88,827	16,756	105,583
Assistant Director Housing and Regeneration	67,630	377	0	4,871	72,878	13,526	86,404
Assistant Director Community Services	67,734	151	0	4,871	72,756	13,523	86,279
Assistant Director Street Scene	61,590	0	0	4,871	66,461	12,294	78,755
Economic Regeneration & Strategic Property Officer	64,011	0	0	1,624	65,635	12,778	78,413
Assistant Director Planning	60,135	0	0	4,695	64,830	12,027	76,857
Borough Treasurer	51,221	0	0	0	51,221	10,244	61,465
Transformation Manager	51,388	0	0	0	51,388	10,242	61,630
Borough Solicitor	51,250	0	0	0	51,250	10,215	61,465

The Council terminated the contracts of 5 employees in 2012-13 in a range of different service areas incurring liabilities of £0.146m (£1.209m in 2011-12).

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12
			£'000	£'000
£0 - £20,000	2	11	12	63
£20,001 - £40,000	2	11	71	343
£40,001 - £60,000	0	5	0	266
£60,001 - £80,000	1	4	63	281
Over £150,000	0	1	0	256
Total	5	32	146	1,209

There were no compulsory redundancies in 2012-13, compared to 4 compulsory redundancies with a total exit cost of £0.011m in 2011-12.

31. EXTERNAL AUDIT COSTS

	2012/2013	2011/2012
	£'000	£'000
Fees payable in relation to the audit of the accounts and inspection fees	57	88
Fees payable for the certification of grant claims and returns	17	40
Total	74	128

32. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

	2012/2013	2011/2012
	£'000	£'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	126	1,749
New Homes Bonus	201	192
Council Tax Freeze Grant	174	173
Other Grants	50	50
Total non ring fenced government grants	551	2,164
<i>Credited to Services</i>		
Benefit Payments and Administration	39,158	38,016
Regeneration Grants	334	49
Capital Grants	1,968	1,215
Contributions to Refuse and Cleansing	1,052	999
Contribution to Highways	263	338
Other Grants and Contributions	187	637
Total	42,962	41,254

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the provider. The balances at the year end are as follows:

	2012/2013	2011/2012
	£'000	£'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	1,730	1,466
Commuted Sums	97	142
St Richards	170	170
Total	1,997	1,778

33. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council and it is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax, benefits etc). Grants received from the Government are set out in the subjective analysis in note 27 on reporting for resource allocation decisions and in note 32 on grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member allowances paid in 2012-13 is shown in note 29.

There are 54 Council Members, of which 18 are also Parish Councillors, 9 are County Councillors, 1 is a Member of the Police Authority, and 1 is a Member of the Fire and Rescue Authority. Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police Authority are shown in the Collection Fund. The total precepts paid to Parish Councils are shown in note 8 and grant funding of £0.119m was also provided to them. Details of the payments made to the Lancashire Pension Fund are shown in note 37.

Decisions on the overall level of funding to be provided to Parish Councils are taken by full Council with due regard to procedures for preventing undue influence. Decisions on how this funding pot is allocated to parishes are determined by the Borough Treasurer using a set formula in consultation with a Cabinet Member who is not a Parish Councillor.

Grant payments were also made to a number of voluntary organisations in which Council Members had interests as follows:

- Council for Voluntary Services – £33,000 – 2 Members
- Women's Refuge – £11,000 – 1 Member

The Council is committed to maintaining and developing sound arrangements for its corporate governance, including having procedures in place to prevent undue influence. As part of this commitment, Members must make disclosures of their interests to the Council's Monitoring Officer. Details of

these disclosures are recorded and maintained in registers of interests and can be viewed on the Council's website.

Members have to declare any significant interests in agenda items at the start of Committee meetings, and cannot then take part in any discussions or decisions in relation to those items.

Officers

Officers must make disclosures of their interests to the Council's Monitoring Officer and these are maintained in a register of interests. Officers may not take part in any discussion, decision or administration in relation to these items.

Other Related Parties

The Council has entered into a long term contractual arrangement with Lancashire County Council and One Connect Limited for the provision of Revenues, Benefits and IT Services worth £3.2m in 2012-13. The Council also receives income of around £1.3m per year from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities.

Payment of subsidy of £0.467m was made to West Lancashire Community Leisure Ltd in 2012/13 as part of the Council's Leisure services arrangement. The Council provides the majority of the Trust's funding and also appoints one out of the Trust's 6 Board Members.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure for the year is shown in the table below (including the value of assets acquired under finance leases and long term contracts), together with the resources used to finance it.

	2012/2013 £'000	2011/2012 £'000
Opening Capital Financing Requirement	94,515	5,600
<i>Capital Investment</i>		
Property, Plant and Equipment	7,890	7,303
Other Long Term Assets	21	87
HRA Self Financing Payment	0	88,212
Revenue Expenditure Funded from Capital Under Statute	2,102	1,588
<i>Sources of Finance</i>		
Capital Receipts	-1,285	-1,846
Government Grants and Other Contributions	-2,212	-2,093
Direct Revenue Contributions	-6,744	-4,181
Minimum Revenue Provision	-485	-155
Closing Capital Financing Requirement	93,802	94,515
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	0	726
Increase in borrowing for HRA Self Financing	0	88,212
Movement in other long term liabilities	-228	132
Minimum Revenue Provision	-485	-155
Change in Capital Financing Requirement	-713	88,915

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, which is a measure of the capital expenditure incurred by the Council that has yet to be financed.

35. LEASES

Authority as Lessee: Finance Leases

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are shown under Vehicles, Plant, Furniture and Equipment in the Balance Sheet with a net value of £0.157m in 2012/13 and £0.263m in 2011/12.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the vehicles acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2012/2013	2011/2012
	£'000	£'000
Finance lease liabilities	25	128
Finance costs payable in future years	0	13
Total	25	141

The minimum lease payments will be payable over the following periods:

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	22	116
Later than one year and not later than five years	3	25
Total	25	141

Authority as Lessee: Operating Leases

The Council has acquired a number of vehicles by entering into operating leases, typically with lives not exceeding five years. The Council entered into a new arrangement with regards to vehicle supply and maintenance during 2012-13. A review was undertaken that determined the supply of the vehicles under this contract represented an embedded lease, which has resulted in a significant increase in lease payments.

The future minimum lease payments due under non-cancellable leases in future years are:

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	544	7
Later than one year and not later than five years	1,905	-
Total	2,449	7

Authority as Lessor: Operating Leases

The Council leases out property and equipment under operating leases for the provision of community services such as community centres, and for economic development purposes to provide suitable accommodation for the business community.

The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	1,680	1,758
Later than one year and not later than five years	1,027	1,588
Later than five years	2,895	2,705
Total	5,602	6,051

36. OTHER LONG TERM LIABILITIES AND CONTRACTS

The Council has agreed a 15-year investment programme in its leisure centres through a partnership arrangement with Serco that started in January 2005. This investment will be repaid over the lifetime of the contract. The Council has also acquired a number of vehicles under finance leases that are reflected below.

	2012/2013	2011/2012
	£'000	£'000
Balance brought forward	1,528	1,605
Investment	0	360
Leisure trust repayments	-228	-228
Lease principal repayments	-209	-209
Balance carried forward	1,091	1,528

In October 2011 the Council agreed a 10 year contract for the provision of its IT, Revenues and Benefits Services with Lancashire County Council and One Connect Limited, with an annual value of £3.4m. In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance with May Gurney, with an annual value of just under £1.0m.

37. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

The Council makes contributions towards the cost of post-employment benefits as part of the terms and conditions of employment of its officers. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments, which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension scheme administered locally by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with the investment assets.

Previously the Council had arrangements in place for the award of discretionary post-employment benefits upon early retirement, although these awards are no longer made. This is an unfunded defined benefit arrangement, under which liabilities were recognised when awards were made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council tax is based on the cash payable in the year. Consequently the accounting cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement:

	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	2,251	2,227
- Past service cost / gain (-)	0	0	64	0
- Settlements and curtailments	0	0	74	431
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	259	288	6,813	7,103
- Expected return on scheme assets	0	0	-5,242	-6,027
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	259	288	3,960	3,734
Actuarial Gains and Losses	425	122	7,813	9,003
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	684	410	11,773	12,737
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-259	-288	-3,960	-3,734
Actual amount charged against the General Fund Balance for pensions	338	376	2,676	3,216

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31st March 2013 is a loss of £33.3m, and at 31st March 2012 was a loss of £25.5m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of scheme liabilities	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Opening Balance	5,453	5,419	140,302	130,011
Current service cost	0	0	2,251	2,227
Interest cost	259	288	6,813	7,103
Contributions by scheme participants	0	0	732	784
Actuarial gains and losses	425	122	16,560	4,492
Benefits paid	-338	-376	-5,460	-4,746
Past service costs / gains	0	0	64	0
Settlements and Curtailments	0	0	74	431
Closing Balance	5,799	5,453	161,336	140,302

Reconciliation of the fair value of assets	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Opening Balance	0	0	93,568	92,798
Expected rate of return	0	0	5,242	6,027
Actuarial gains and losses	0	0	8,747	-4,511
Employer contributions	338	376	2,676	3,216
Contributions by scheme participants	0	0	732	784
Benefits paid	-338	-376	-5,460	-4,746
Closing Balance	0	0	105,505	93,568

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was a gain of £13.989m (gain of £1.516m in 2011-12).

Scheme History

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
<i>Present value of liabilities</i>					
Local Government Pension Scheme	155,537	134,849	124,592	136,314	100,024
Discretionary Benefits	5,799	5,453	5,419	6,392	5,334
Total value of liabilities	161,336	140,302	130,011	142,706	105,358
Fair value of Local Government Pension Scheme assets	105,505	93,568	92,798	89,200	67,767
Net value of liabilities	55,831	46,734	37,213	53,506	37,591

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of these liabilities mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31st March 2014 are £2.265m. Expected contributions for Discretionary Benefits in the year to 31st March 2014 are £0.338m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Mercer Limited, an independent firm of actuaries, has assessed these liabilities based on the last full actuarial valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary are set out below:

	2012/2013	2011/2012
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of CPI inflation	2.4%	2.5%
Rate of increase in salaries	4.4%	4.5%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	4.2%	4.9%
Take up of option to convert annual pension into retirement lump sum	50%	50%
<i>Expected rate of return on assets</i>		
Equities	7.0%	7.0%
Government Bonds	2.8%	3.1%
Other Bonds	3.9%	4.1%
Property	5.7%	6.0%
Cash / Liquidity	0.5%	0.5%
Other Assets	7.0%	7.0%
<i>Mortality Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.1 / 24.8	21.7 / 24.3
- Future pensioner aged 65 in 20 year's time	23.9 / 26.7	23.1 / 25.9

The discretionary benefits arrangement has no assets to cover its liabilities. An analysis of the different types of asset held by the Local Government Pension scheme is shown below:

Analysis of Assets	2012/2013	2011/2012
	%	%
Equities	62.0	58
Government Bonds	7.9	5
Other Bonds	17.2	15
Property	9.3	10
Cash / Liquidity	3.5	5
Other	0.1	7
Total	100.0	100

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities:

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Differences between the expected and actual return on assets	8.3	-4.8	0.1	20.1	-34.5
Experience gains and losses on liabilities	-	-	7.9	-	-

38. CONTINGENT LIABILITIES AND ASSETS

The Council, along with many other local authorities, was a member of the Municipal Mutual Insurance Scheme (MMI), which ran between 1975 and 1993 when the scheme ceased in its current form. Since that date MMI has been in a scheme of arrangement whereby claims for the period are settled under the arrangement terms, with an objective of matching assets to liabilities to achieve a solvent run off.

The most recent report to scheme creditors indicated that run off projections do not currently show a break even position, and as such the scheme of arrangement has now been 'triggered' which will result in additional costs for the Council. Based on recent developments it is likely that a payment of £129,000 will need to be made in relation to these liabilities and this has been included as a provision in the accounts. However it is also possible that further payments may be required in the future over a medium term time scale.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. This is as a result of changes in Government policy, and many other local authorities are in a similar position. It is not clear what the total value of any such claim would be for the Council, although certain costs have been included under provisions. It is also possible that additional claimants may come forward to submit claims for refunds.

The Council has lodged a claim with HM Revenues and Customs (HMRC) in relation to the VAT element on income generated on Trade Waste Activities in previous financial years plus interest. HMRC have stated that VAT on this service should not be levied on customers, however this position is still uncertain and consequently this potential income has not yet been recognised.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Treasury Management Code of Practice, and our Treasury Management policy and strategy (available at www.westlancs.gov.uk) set out a framework for the control of risk arising from financial instruments. Treasury Management activities are recognised as a significant risk area and this is reflected in the Council's Key Risk Register.

The Council's activities expose it to a variety of financial risks as set out below:

(a) Credit risk - the possibility that other parties might fail to pay amounts due to the Council

Credit risk from deposits with banks and financial institutions is minimised through the Annual Treasury Management Strategy which requires that deposits are only made with institutions that meet identified minimum credit criteria, and places limits on the time period and amounts to be invested with individual counter parties.

Investments are only made with UK based financial institutions with excellent credit ratings and other local authorities, and the maximum length for an investment is currently limited to 3 months. The Council's maximum exposure to credit risk in relation to its investments and money at call of £16.008m cannot be assessed generally as the risk of any institution failing to make payments of interest or repaying the principal sum will be specific to each individual institution. However the Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are typically based on the age of the debt and experience of default and uncollectability, are shown in note 18.

(b) Liquidity risk - the possibility that the authority might not have funds available to meet its commitments to make payments

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. However if unexpected commitments did arise, the Council has ready access to an overdraft with its bank, or borrowing through the Public Works Loan Board. There is also typically over £20m of short term funds invested at any point in time. Consequently there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

There is a risk that the Council could be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. However no borrowing is due to mature for over 10 years, and the debt portfolio has been spread out over a period of up to 50 years. The maturity analysis of loans is set out below:

Maturity analysis of loans	2012/2013	2011/2012
	£'000	£'000
Between 10 and 15 years	4,411	4,411
Between 15 and 20 years	4,411	4,411
Between 20 and 25 years	8,821	8,821
Between 25 and 30 years	8,821	8,821
Between 30 and 35 years	8,821	8,821
Between 35 and 40 years	17,642	17,642
Between 40 and 45 years	17,642	17,642
Between 45 and 50 years	17,643	17,643
Total	88,212	88,212

(c) Market risk - the possibility that there will be a financial loss because of changes in interest rates, market prices, foreign exchange currency rates etc.

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates can have a complex impact, and for example an increase in interest rates would have the following effect:

- Borrowing at fixed rates – the fair value of the liabilities will fall. However as borrowings are not carried at fair value then this would not impact on the Surplus or Deficit on the Provision of Services.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

The Council has taken advantage of the very low interest rates available from the Public Works Loans Board specifically for HRA self financing. Consequently the £88.212m of loans that have been taken out for HRA self financing are at fixed interest rates and with long maturity periods. An increase in interest rates of 0.1% would result in a reduction in the fair value of these loans of around £1.621m.

Investment income in 2012-13 was £0.198m based on an average rate of interest earned of 0.786%.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and budget monitoring during the year. This allows any changes to be accommodated, and this analysis will also advise whether any new borrowing taken out should be fixed or variable.

The Council does not have any investments in shares or any financial instruments denominated in foreign currencies. Consequently it does not have any direct risk from movements in stock prices or foreign exchange rates.

40. TRUST FUNDS

The Council acts as sole trustee for three trust funds. These funds do not represent assets of the Council and are not included in the balance sheet. There has been negligible expenditure and income on these trust funds over the last 2 years.

The Richard Berry Charity was established in 1906 to provide help for the aged poor in Skelmersdale. The assets of the trust are £2,987 and there are no liabilities.

The Jervis Charity was established in 1898 to provide help for the poor or ill associated with coal mining in Skelmersdale. The assets of the trust are £1,239 and there are no liabilities.

The Ruff Public Park and Pleasure Ground was conveyed to the former Ormskirk District Council on charitable trust to be used as a public park in perpetuity.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2011/2012 £'000		2012/2013 £'000 £'000	
Expenditure			
-3,628	Repairs and maintenance (note 2)	-3,830	
-7,632	Supervision and management	-7,999	
-191	Rents, rates, taxes and other charges	-226	
-6,205	Negative HRA subsidy payable (note 5)	-1	
-88,212	HRA self financing payment (note 14)	0	
-2,421	Depreciation (note 3)	-2,394	
-9,828	Impairment (note 3)	-3,520	
-31	Debt management costs	0	
-50	Movement in bad debt provision	-179	
-118,198	Total expenditure		-18,149
Income (note 6)			
20,070	Dwelling rents	21,467	
431	Non-dwelling rents	413	
2,134	Charges for services and facilities	2,232	
22,635	Total income		24,112
-95,563	Net Cost of Services in the Comprehensive Income & Expenditure Statement		5,963
-379	HRA share of Corporate & Democratic Core		-364
-72	HRA share of Pension Past Service Gain/Cost(-)		-13
-96,014	Net Cost of HRA Services		5,586
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
102	Gain on Disposal of Non-Current Assets		167
-34	Interest payable		-3,057
129	Interest and Investment Income		116
-179	Pensions interest cost and expected return on pensions assets		-282
556	Capital grants and contributions receivable		139
-95,440	Deficit (-) / Surplus for the year on HRA services		2,669

MOVEMENT ON THE HRA STATEMENT

2011/2012		2012/2013	
£'000		£'000	
		£'000	
632	HRA Balances brought forward		657
-95,440	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	2,669	
95,861	Adjustments between accounting basis and funding basis under statute	-525	
421	Net change before transfers to or from reserves	2,144	
-396	Transfers to or from reserves	-2,144	
25	Increase or Decrease in balances in year		0
657	HRA Balances carried forward		657

Adjustments between accounting basis and funding basis under statute

2011/12		2012/13	
£'000		£'000	
1	Transfers to/from Accumulated Absences Account		6
-102	Gain (-) or loss on sale of non-current assets		-167
142	HRA share of contributions to or from the Pensions		209
0	Capital expenditure funded by the HRA		-3,701
-4,085	Transfer to Major Repairs Reserve		-2,394
	Transfers to and from the Capital Adjustment Account		
9,828	- Impairment (note 3)		3,520
2,421	- Depreciation (note 3)		2,394
88,212	- HRA self financing (note 14)		0
-556	- Capital Grants		-139
0	- Provision for repayment of debt		-253
95,861	Total adjustments		-525

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. The Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. The Council charges rents to cover expenditure in accordance with regulations and this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

2. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

	2012/2013 £'000	2011/2012 £'000
Programmed Work (including painting)	1,251	712
Day to day repairs	2,579	2,916
Total	3,830	3,628

3. Capital charges

An impairment charge of £3.520m (£9.828m in 2011-12) has been made to the HRA in the year. This reflects impairment and revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £2.394m have been made to the HRA to reflect its use of assets (£2.421m in 2011-12). An amount equal to depreciation has then been transferred to the Major Repairs Reserve, which has been used to finance capital expenditure.

4. Pensions

The HRA has been compiled on a FRS17/IAS19 compliant basis. This treatment does not affect the bottom line position of the HRA, as accounting entries are reversed out in the Adjustments section of the Movement on the HRA Statement and replaced with the HRA's actual contribution to the pension fund.

5. Housing Subsidy

Under the Housing subsidy system the Council had to make a payment to the Government calculated in accordance with a set formula, and details of the subsidy position for 2011/12 are shown below.

The Government replaced the HRA subsidy system with a new self financing system from April 2012, and consequently no subsidy was payable for the 2012/13 financial year. However, the audit of the subsidy claim for 2011/12 identified a further sum of £1,081 payable to the Government, which was paid during the 2012/13 financial year.

	2011/2012
	£'000
Guideline rent income	20,223
Management and maintenance allowance	-9,822
Major Repairs Allowance	-4,085
Charges for Capital	-80
HRA Self Financing Adjustment	-32
Interest on receipts	1
Total	6,205

6. Rents and Service Charges

Dwelling rents comprise the total rent income for all Council owned dwellings in the year. The average rent of our dwellings at the end of 2012/13 was £65.26 (on a 52 week basis). This is an increase of £4.58 over the figure at the end of 2011/12.

Non-dwelling rents include the rent of garages, garage sites, and miscellaneous plots of housing land. The Council also levies service charges to contribute towards the costs of special services such as Caretakers, door entry systems, sheltered dwellings, and furnished homes.

7. Rent Arrears and Provision for Bad Debts

	2012/2013	2011/2012
	£'000	£'000
Arrears carried forward	1,074	1,199
Provision for bad debts carried forward	523	644

8. Housing Stock

The Council owned an average of 6,311 dwellings (including flats and maisonettes, houses and bungalows) during 2012/2013. This table shows the changes in stock over the last two years.

	2012/2013	2011/2012
Opening Stock	6,323	6,316
Sales	-25	-10
Additions	0	17
Closing Stock	6,298	6,323

This table shows an analysis of the housing stock at 31st March 2013:

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	50	1,028	1,078
2 Bedroom	-	-	111	84	195
3 (or more) Bedroom	-	-	-	11	11
Sub Total	-	-	161	1,123	1,284
Medium-Rise Flats					
1 Bedroom	-	1	1	315	317
2 Bedroom	-	-	-	632	632
3 (or more) Bedroom	-	-	1	125	126
Sub Total	-	1	2	1,072	1,075
Houses					
1 Bedroom	-	32	287	264	583
2 Bedroom	4	56	220	267	547
3 Bedroom	3	148	489	1,801	2,441
4 (or more) Bedroom	-	5	6	357	368
Sub Total	7	241	1,002	2,689	3,939
Totals	7	242	1,165	4,884	6,298

9. Movement in the Balance Sheet Value of HRA Non Current Assets

	Intangible Assets	Council dwellings	Other land / buildings	Plant & Equipment	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening value	111	146,797	137	252	72	147,369
Additions/Enhancements		6,761				6,761
Disposals		-836				-836
Depreciation	-25	-2,329		-40		-2,394
Impairment/Revaluation		-2,566				-2,566
Transfers / other		-133	-2			-135
Closing value	86	147,694	135	212	72	148,199

10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2012 was £415.4m (£417.1m at 1st April 2011).

The difference between the vacant possession value and balance sheet value of dwellings within the HRA reflects the economic cost to the Government of providing Council housing at less than open market rents.

11. Movement in the Major Repairs Reserve

	2012/2013	2011/2012
	£'000	£'000
Balance brought forward	535	382
Major Repairs Allowance	-	4,085
Depreciation Charge	2,394	-
Funding for Capital Expenditure	-2,929	-3,932
Balance carried forward	0	535

12. Sources of Funding for HRA Capital Expenditure

	2012/2013 £'000	2011/2012 £'000
Major Repairs Reserve	2,929	3,932
HRA Contribution	3,701	0
Capital Grants	139	556
Internal Borrowing	0	726
Total	6,769	5,214

13. Capital Receipts

	2012/2013 £'000	2011/2012 £'000
Receipts on disposals of HRA assets	1,008	480

14. HRA Self Financing

The Council had to make a one off payment of £88.212m to the Government in March 2012 as a result of the introduction of the new HRA Self Financing System. This payment was initially charged to the HRA, but then transferred to the Capital Adjustment Account in the Movement in the HRA Statement.

COLLECTION FUND ACCOUNT

The Council acts as a billing authority for the collection of council tax and business rates and is required by statute to keep a separate account for these transactions.

2011-2012 £'000		2012-2013 £'000 £'000	
INCOME			
48,685	Income from Council Tax - amount receivable net of benefits and transitional relief (note 1)	49,108	
8,962	Transfers from the General Fund (Council tax benefits and transitional relief)	8,718	
407	Contributions to Previous Year's Deficit - Council tax (note 4)	35	
28,879	Income from Business rate payers (note 2)	29,751	
86,933	Total income		87,612
EXPENDITURE			
57,152	Precepts and demands (note 3)	57,539	
Business rate			
28,747	- Payment to national pool	29,618	
132	- Costs of collection	133	
Bad and doubtful debts / appeals			
304	- Write offs – Council tax	57	
337	- Provisions – Council tax	356	
86,672	Total expenditure		87,703
261	Movement on Fund Balance (note 5)		-91

NOTES TO COLLECTION FUND

1. Council Tax Base

The council tax base for 2012/2013 was 37,884.00 (37,721.13 in 2011/12) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	12,229.80	6/9	8,153.20
B	7,373.75	7/9	5,735.11
C	8,228.10	8/9	7,313.86
D	6,168.25	1	6,168.25
E	4,269.85	11/9	5,218.69
F	2,218.68	13/9	3,204.75
G	1,409.10	15/9	2,348.51
H	62.15	2	124.30
Total Relevant Amount			38,266.67
Estimated Collection Rate			99%
Council Tax Base			37,884.00

2. National Non-Domestic Rates (NNDR)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (45.8p in 2012/13 and 43.3p in 2011/12) and, subject to the effects of transitional arrangements and reliefs, local businesses pay rates calculated by multiplying that amount by their rateable value.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national NNDR pool. The Government then redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions was £29.751m for 2012/2013 (£28.879m for 2011/12). The rateable value for the Council's area at the end of the financial year 2012/13 was £80.246m (£81.189m for 2011/12).

3. Precepts and Demands

Authority	2012/2013	2011/2012
	£'000	£'000
Lancashire County Council	41,987	41,806
West Lancashire Borough Council	7,461	7,427
Lancashire Police Authority	5,680	5,518
Lancashire Fire Authority	2,411	2,401
Total	57,539	57,152

4. Surplus / Deficit on Council Tax Collection

The final outturn on Council Tax operations shows a deficit of £0.239m, which compares with the estimated deficit of £0.277m declared in January 2013 and which will be recovered in 2013-14.

The financing arrangements for deficits / surpluses in respect of Council Tax provide for a sharing between major precepting authorities in proportion to their demands on the Collection Fund. The following table shows how these items have been shared over the last 2 years.

	2012/2013	2011/2012
	Deficit	Deficit
	£	£
Lancashire County Council	-25,644	-297,422
Lancashire Police Authority	-3,384	-39,253
Lancashire Fire Authority	-1,473	-17,081
West Lancashire Borough Council	-4,556	-52,828
Total	-35,057	-406,584

5. Movement on Fund Balance

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	-148	-409
Movement in year	-91	261
Balance at end of year	-239	-148